

**MIDVALE CITY CORPORATION
MIDVALE, UTAH**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2007

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

MIDVALE CITY CORPORATION, UTAH
For the Fiscal Year Ended June 30, 2007

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Midvale City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation, Utah (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation, Utah, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information are presented for purposes of additional analysis are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Midvale City Corporation. The combining and individual nonmajor fund financial statements, the budgetary comparison information and Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hansen, Bradshaw, Malmrose & Erickson, P.C

November 9, 2007

Midvale City Corporation
Management Discussion and Analysis
June 30, 2007

Midvale City Corporation's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended June 30, 2007. As management of the City, we encourage readers to consider information contained in this discussion and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at the end of the current fiscal year by \$91,978,017. Of this amount, \$10,472,155 is unrestricted and available to meet ongoing obligations to citizens and creditors.
- Net assets decreased by \$372,280 for governmental activities. This is relatively insignificant, representing less than one percent of total net assets. Net assets increased by \$762,027 for business-type activities. This is due to the five percent increase in water and sewer rates in FY 2007 in anticipation of upcoming capital improvements. The increases for fiscal year 2008 are again five percent for both water and sewer service. Funds will be used to improve and maintain the water and sewer infrastructure.
- Total long-term debt owed by the City is \$6,627,662. This is well below the City's legal debt capacity of approximately \$225 million. This debt limit is imposed by the State and is equal to twelve percent of taxable property in the City. During the fiscal year, the Utility Fund issued \$1,619,000 in new debt for construction of sewer lift stations for new development on the west side of Midvale City.
- The Fiscal Year 2007 General Fund Budget appropriated \$53,400 from prior year fund balance to meet budgeted expenditures. For Fiscal Year 2008, the City Council has appropriated \$507,500 from fund balance.
- The City's General Fund unreserved fund balance on June 30, 2007 was \$3,134,381. This is equal to nineteen percent of General Fund budgeted revenues. The excess fund balance was created by a prior period adjustment which increased fund balance by \$404,694. In the past, Midvale City has accrued the full cost of compensated absences and vacation time due to employees in the governmental fund statements. We were alerted this year that this is not in conformance with GAAP, and have removed that accrual from the fund statements; however, as required by GASB 34, the accrual remains in the government-wide statements.

Utah state law prohibits fund balances in excess of eighteen percent or less than five percent of budgeted revenue. Midvale City Council prefers maintaining a fund balance of twelve percent. In addition to the \$507,500 already appropriated from fund balance for FY 2008, the City Council will appropriate an additional \$665,000 in order to comply with state law and internal policy.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to Midvale City's basic financial statements. The City's financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements that will help the reader gain a more in-depth understanding of the City.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the City, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or declining.

The *statement of activities* shows the changes to net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place. One example is the next debt interest payment when the fiscal year ends in between interest payments. The *statement of activities* shows additional interest expense (an accrual) for the time period between the last interest payment and the end of the fiscal year.

Both of these government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues (governmental activities) and those whose operations are entirely or largely financed by user charges and fees (business type activities). The governmental activities for Midvale City include general governmental (council, mayor, administration, court); public safety (police and fire); highways and public improvements; and parks and recreation. The business type activities include water, sewer, solid waste, storm water utility, and ambulance.

The Redevelopment Agency of Midvale City and the Municipal Building Authority are legally separate from the City, but for all practical purposes function as a part of the City and are therefore blended as an integral part of the primary government.

The government-wide financial statements are found as listed in the table of contents.

Fund Financial Statements

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. Midvale City, like other state and local governments uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the City's funds can be categorized into one of two categories: governmental funds or proprietary funds.

Governmental funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the government-wide statements for the governmental activities with that presented in governmental funds statements can provide useful information because of the different focus of the two approaches. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance show reconciliation between the governmental funds statements to the governmental activities in the government-wide statements.

Midvale City uses six different individual governmental funds. Of this number, information is shown separately for the General and Capital Projects Funds, both of which are deemed major funds. Information from the other four funds is presented in a single combined column. Individual presentations for these non-major funds are contained in combining information shown after the notes to the financial statements as listed in the table of contents. The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary funds include enterprise funds and internal service funds. Enterprise funds may be used to report any activity for which a fee is charged to external users for

goods or services. Internal Service Funds may be used to report activities that provide goods or services to other funds or departments of the City.

The Enterprise Funds maintained by Midvale City include water/sewer, solid waste, storm water utility, and ambulance service. Midvale City uses an Internal Service Fund to account for its vehicle fleet activities. Because all of these activities support primarily governmental rather than business-type activities, they have been included within the governmental activities column of the government-wide financial statements.

Proprietary funds present the same information as in the government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for the Water/Sewer, Storm Water Utility, and Sanitation funds, which are considered to be major funds of Midvale City, and the Ambulance fund. The internal service fund is shown in one single column in the proprietary fund financial statements. The City also adopts annual appropriated budgets for all of its proprietary funds.

The basic proprietary fund financial statements can be found as listed in the table of contents.

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

OTHER INFORMATION

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This table shows a comparison between governmental and business-type activities for the current year and the prior year:

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Current and other assets	\$12,112,383	\$11,044,865	\$7,415,448	\$5,405,446
Capital assets	78,970,930	80,120,255	4,795,506	4,435,571
Total Assets	\$91,083,313	\$91,165,120	\$12,210,954	\$9,841,017
Current and other liabilities	\$5,041,151	\$4,347,411	\$457,512	\$428,135
Long term liabilities	3,955,494	4,358,761	1,862,093	283,560
Total Liabilities	8,996,645	8,706,172	2,319,605	711,695
Net assets:				
Invested in capital assets, net of related debt	74,774,124	75,644,551	3,376,274	4,132,905
Restricted	46,825	683,672	3,308,639	3,273,902
Unrestricted	7,265,719	6,130,725	3,206,436	1,722,515
Total Net Assets	82,086,668	82,458,948	9,891,349	9,129,322
Total Liabilities and Net Assets	\$91,083,313	\$91,165,120	\$12,210,954	\$9,841,017

By far the largest component of Midvale City's net assets is its investment in capital assets. Capital assets represent the City's investment in land and land improvements; curb, gutter, and sidewalk; roads and storm drains; water and sewer lines; streetlights and signals, bridges, buildings, and machinery and equipment. Midvale City uses these capital assets to provide services to citizens who live, work, pass through or benefit in other ways from the City. By their nature, these assets are not available for future spending. Further, even though these capital assets are reported net of any related debt, resources needed to repay the debt must come from other sources, as the assets themselves cannot be used to satisfy the related obligations.

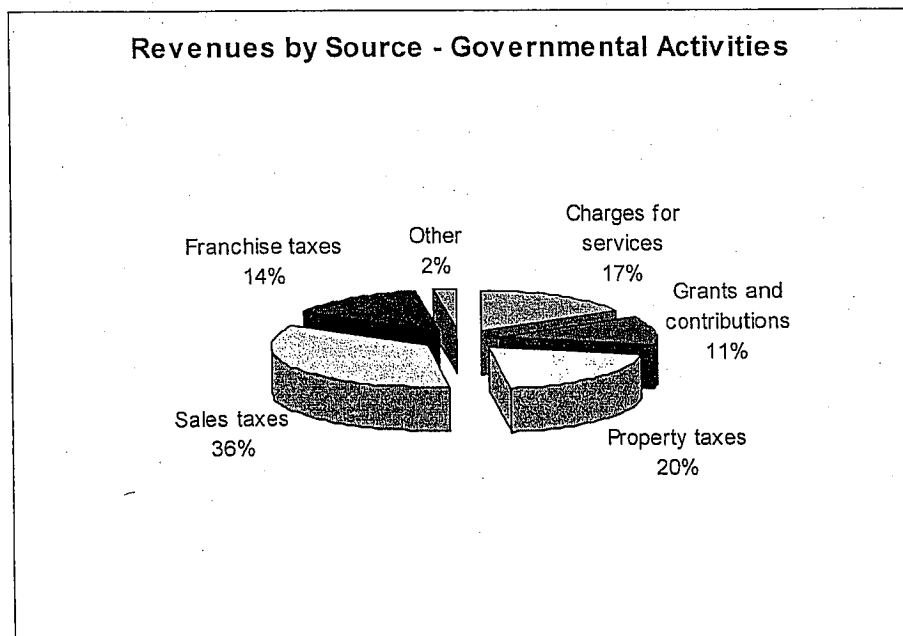
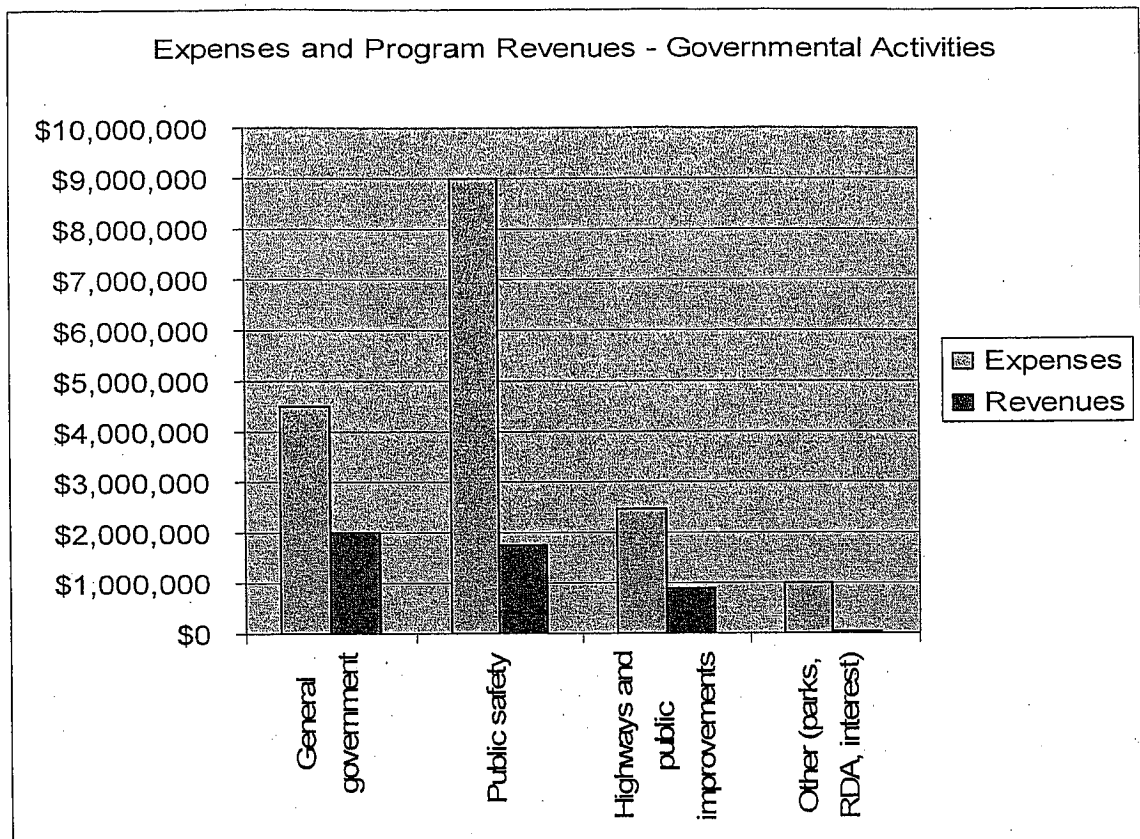
Governmental activities exhibit an insignificant decrease in net assets. Business-type activities experienced a twenty-four percent increase in total net assets due to the increases in rates charged for water and sewer in anticipation of system improvements.

ACTIVITIES, GOVERNMENTAL AND BUSINESS-TYPE

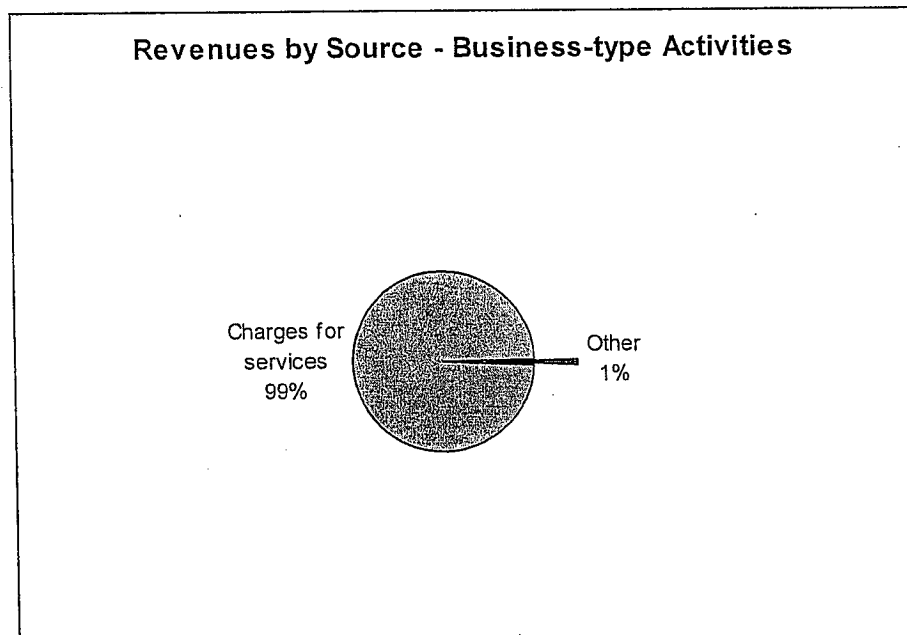
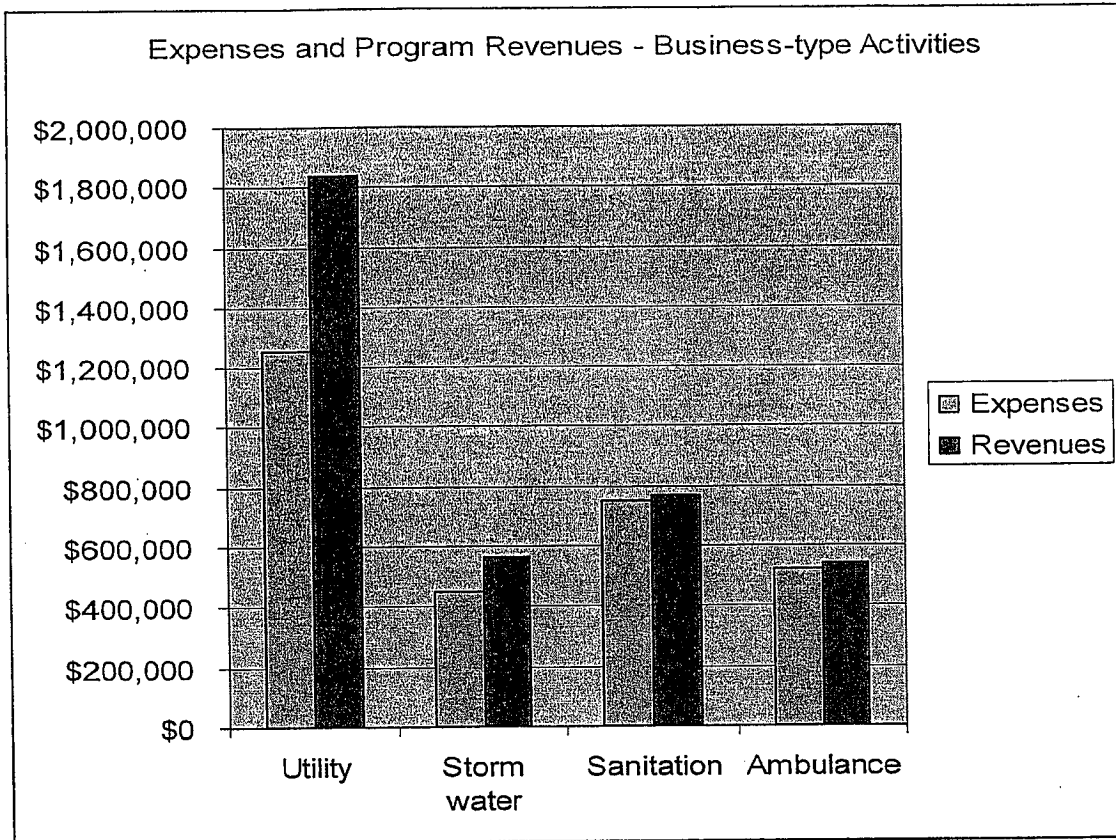
Midvale City Corporation Changes in Net Assets

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Revenues:				
Program revenues:				
Charges for services	\$2,767,530	\$2,834,967	\$3,707,693	\$3,636,430
Operating grants and contributions	1,020,207	1,847,285	--	--
Capital grants and contributions	862,279	--	--	--
General revenues:				
Property taxes	3,274,567	3,085,378	--	--
Other taxes	8,283,765	7,715,359	--	--
Unrestricted investment earnings	340,191	232,721	99,365	54,519
Other	43,524	5,383	--	--
Gain on sale of assets	65,157	46,271	--	--
Total revenues	16,657,220	15,767,364	3,807,058	3,690,949
Expenses:				
General government	4,491,932	3,429,916	--	--
Public safety	9,009,654	8,402,119	--	--
Highways and public improvements	2,471,946	2,596,189	--	--
Parks and recreation	708,693	649,590	--	--
Intergovernmental	111,249	103,101	--	--
Interest on long-term debt	181,326	214,936	--	--
Water and sewer	--	--	1,254,625	1,364,652
Storm Water	--	--	448,026	371,766
Sanitation	--	--	753,025	746,902
Ambulance	--	--	525,301	505,780
Loss on equity investment	--	--	118,754	77,581
Total expenses	16,974,800	15,395,851	3,099,731	3,066,681
Increase (decrease) in net assets before transfers	(317,580)	371,513	707,327	624,268
Transfers	(54,700)	21,900	54,700	(21,900)
Increase (decrease) in net assets	(372,280)	393,413	762,027	602,368
Net assets - beginning	82,458,948	82,065,535	9,129,322	8,526,954
Net assets - ending	\$82,086,668	\$82,458,948	\$9,891,349	\$9,129,322

Governmental Activities. The following graphs display the government-side activities for governmental activities reflected in the above tables. The program revenues on the graph below do not include general revenue such as property tax, sales tax, etc., as listed on the preceding page.



Business-type Activities. The following graphs display the business-side activities for business-type activities reflected in the above tables.



FINANCIAL ANALYSIS OF MIDVALE CITY'S FUNDS

Midvale City's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total fund balance is a measure of the available spendable resources at June 30, 2007.

For the period ending June 30, 2007, the City's governmental funds reported a combined fund balance amount of \$5,665,983, an increase of \$520,563 from June 30, 2006. This increase includes a prior period adjustment of \$405,439 due to a correction in reporting accrued compensated absences. Of the total fund balance at year-end, \$4,662,072 is unreserved. Reserved fund balance consists of \$198,619 for various capital projects, \$150,130 for land held for resale, \$608,337 pledged to UTOPIA, and \$46,825 for cemetery perpetual care.

The General Fund is the main operating fund for Midvale City Corporation. At June 30, 2007, fund balance was \$3,134,381, all unreserved. A useful measure of liquidity is to compare the unreserved fund balance and the total fund balance to expenditures (including operating transfers out) for the year. Unreserved fund balance was 21 percent of total expenditures and transfers.

The fund balance of the General Fund increased by \$1,117,690 from the reported fund balance at June 30, 2006. Of this amount, \$404,694 represents a prior period adjustment due to removing accrued compensated absences from the governmental funds. The additional \$712,996 increase is a result of lower than anticipated expenses throughout the departments. There was no property tax increase for fiscal year 2007.

The Capital Projects Fund has a total fund balance of \$2,391,606 at June 30, 2007. The total fund balance has been appropriated to various capital projects. This fund balance decreased by \$505,846 as projects reach completion.

The Redevelopment Agency of Midvale City has a decrease in fund balance of \$96,636 as a full-time director was hired in fiscal year 2005 to administer development on the new project area (the super-fund sites). The preceding project area expired in 2003, so there was no tax increment revenue available in Fiscal Year 2007. The available fund balance in the Redevelopment Agency is \$88,171, but that fund balance is invested in properties held for resale.

The new project area may produce tax increment revenue as early as Fiscal Year 2009. As development occurs on the former superfund sites, tax increment revenue will offset the cost of operating the RDA, as well as pay for needful infrastructure on the site.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's proprietary funds totaled \$1,110,745 for Water/Sewer, \$698,497 for Storm Water, \$243,124 for Sanitation, and \$141,766 for Ambulance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final amended budgets amounted to a total increase in estimated revenues and expenditures of \$996,918. This is due to growth in sales tax revenue, and federal and state grants received throughout the year. General Fund revenues, not including transfers from fund balance, exceeded budget by \$71,035. General Fund expenditures were \$577,695 below budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Midvale City's investment in capital assets is \$83,766,436 as of June 30, 2007. Types of assets included in this category are land, land improvements, buildings, machinery and equipment, park and other recreation facilities, roads (including curb and gutter, sidewalk, and storm drain), street lights, traffic signals, water and waste water distribution and collection systems, and bridges. The City's investment in capital assets equals ninety-one percent of total net assets.

Midvale City Corporation's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Land and water rights	\$51,553,728	\$51,553,728	\$164,243	\$164,243
Infrastructure	16,410,908	17,156,432	1,012,304	1,060,173
Buildings	7,526,998	7,662,095	121,393	125,570
Improvements other than buildings	301,566	318,139	2,984,786	3,031,509
Machinery and equipment	3,177,730	3,299,861	44,595	54,076
Construction in progress	---	130,000	468,185	---
Total	<u>\$78,970,930</u>	<u>\$80,120,255</u>	<u>\$4,795,506</u>	<u>\$4,435,571</u>

Midvale City's debt consists of General Obligation Bonds (\$3,995,000 balance at June 30, 2007) which are scheduled to be paid off by September 15, 2019, and a Municipal Building Authority Lease Revenue Bond (\$77,251 balance at June 30, 2007) which is scheduled to be paid off by May 15, 2009. The city has several lease/purchase agreements; one for fluoridation equipment (\$267,014 balance at June 30, 2007), scheduled to be paid off by August 2013, and two for vehicles (\$124,553 balance at June 30, 2007), scheduled to be paid off by June 2008.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The fifteen percent property tax increase passed by the City Council in June 2004 continues to provide sufficient revenues to fairly compensate city employees and provide services desired by the citizens. Additional property tax increases have not been necessary.

The sales tax picture has stabilized and gradually improving, with actual sales tax revenue exceeding prior year revenues by eight percent. Budgeted sales tax revenue for fiscal year 2008 is \$6,292,000, approximately six percent higher than what was collected in fiscal year 2007.

Midvale City continues to aggressively pursue federal and state grants. In fiscal year 2007, revenue from grants in the governmental funds was \$1,882,486, about eleven percent of total revenues.

The City signed agreements with the Environmental Protection Agency in fiscal year 2005 allowing development to proceed on two super-fund sites (Jordan Bluffs south of 7800 South, and Bingham Junction north of 7800 South) on the west side of the City. The land on both sites (616 acres) is currently being prepared for use. While it may still be several years before sales tax revenue is generated, we anticipate mixed use development on both sites, with full build-out occurring by 2020, adding 5,000 – 7,000 to the City's population, and 200-500 businesses to our community.

The culinary water and sewer rate analysis completed in fiscal year 2005 recommended increasing rates for water and sewer by five percent each year, following an initial increase of six percent for water and eleven percent for sewer. The City Council approved the five percent increases for fiscal years 2007 and 2008. Midvale City's utility rates continue to be lower than average for the Wasatch Front.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of Midvale City Corporation's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Director of Administrative Services, 655 W. Center Street, Midvale, Utah 84047.

MIDVALE CITY CORPORATION
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,392,118	\$ 1,825,473	\$ 8,217,591
Receivables (net of allowance for uncollectibles):	4,329,219	685,120	5,014,339
Due from other governments	415,316		415,316
Loans	25,905		25,905
Prepays	24,444	1,773	26,217
Internal balances	38,276	(38,276)	-
Restricted cash	608,337	1,605,560	2,213,897
Equity investment in joint ventures		3,308,639	3,308,639
Land held for resale	150,130		150,130
Capital assets not being depreciated:			-
Water stock		159,515	159,515
Land	51,553,728	4,728	51,558,456
Construction in progress		468,185	468,185
Capital assets, net of accumulated depreciation:			-
Buildings	7,526,998	121,393	7,648,391
Improvements other than buildings	301,566	2,984,786	3,286,352
Equipment	3,177,730	44,595	3,222,325
Infrastructure	16,410,908	1,012,304	17,423,212
Deferred charges	128,638	27,159	155,797
Total assets	91,083,313	12,210,954	103,294,267
Liabilities			
Accounts payable	465,810	315,489	781,299
Accrued liabilities	912,324	27,410	939,734
Accrued interest payable	52,093	18,844	70,937
Unearned revenue:			
Property taxes	2,841,200		2,841,200
Other	48,968		48,968
Customer deposits		6,450	6,450
Noncurrent liabilities:			
Due within one year	720,756	89,319	810,075
Due in more than one year	3,955,494	1,862,093	5,817,587
Total liabilities	8,996,645	2,319,605	11,316,250
Net assets			
Invested in capital assets, net of related debt	74,774,124	3,376,274	78,150,398
Restricted for:			
Cemetery perpetual care - expendable	46,825		46,825
Equity investment in joint ventures		3,308,639	3,308,639
Unrestricted	7,265,719	3,206,436	10,472,155
Total net assets	\$ 82,086,668	\$ 9,891,349	\$ 91,978,017

The notes to the financial statements are an integral part of this statement.

MIDVALE CITY CORPORATION
Statement of Activities
For the Year Ended June 30, 2007

Function/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
General government	\$ 4,491,932	\$ 1,208,569	\$ 788,117	\$ (2,495,246)	\$ (2,495,246)	\$ (2,495,246)
Public safety	9,009,654	1,503,432	232,090	(7,274,132)	(7,274,132)	(7,274,132)
Highways and public improvements	2,471,946	15,214	\$ 862,279	(1,594,453)	(1,594,453)	(1,594,453)
Parks, recreation and public property	708,693	40,315		(668,378)	(668,378)	(668,378)
Redevelopment	111,249			(111,249)	(111,249)	(111,249)
Interest on long-term debt	181,326			(181,326)	(181,326)	(181,326)
Total governmental activities	16,974,800	2,767,530	1,020,207	(12,324,784)	(12,324,784)	(12,324,784)
Business-type activities						
Utility	1,254,625	1,835,583		\$ 580,958	580,958	580,958
Storm water	448,026	563,760		115,734	115,734	115,734
Sanitation	753,025	767,668		14,643	14,643	14,643
Ambulance	525,301	540,682		15,381	15,381	15,381
Total business-type activities	2,980,977	3,707,693		726,716	726,716	726,716
General Revenues:						
Taxes						
Property taxes				3,274,567		3,274,567
Sales taxes				5,919,067		5,919,067
Franchise taxes				2,364,698		2,364,698
Interest income				340,191	99,365	439,556
Equity investment income (loss)					(118,754)	(118,754)
Gain on sale and disposal of assets				65,157		65,157
Miscellaneous				43,524		43,524
Transfers - net				(54,700)	54,700	-
Total general revenue and transfers				11,952,504	35,311	11,987,815
Change in net assets				(372,280)	762,027	389,747
Net assets - beginning				82,458,948	9,129,322	91,588,270
Net assets - ending				\$ 82,086,668	\$ 9,891,349	\$ 91,978,017

The notes to the financial statements are an integral part of this statement.

MIDVALE CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2007

	Governmental Fund Types			Total Governmental Funds
	General	Capital Projects	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 2,233,790	\$ 1,939,923	\$ 128,294	\$ 4,302,007
Due from other funds	212,834	-	-	212,834
Receivables:				
Accounts receivable	19,085	-	-	19,085
Taxes	4,310,134	-	-	4,310,134
Intergovernmental	374,708	-	40,608	415,316
Loans	-	-	25,905	25,905
Prepays	24,222	-	-	24,222
Restricted cash	-	608,337	-	608,337
Land held for resale	-	-	150,130	150,130
Total assets	\$ 7,174,773	\$ 2,548,260	\$ 344,937	\$ 10,067,970
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 249,666	\$ 156,654	\$ 1,449	\$ 407,769
Due to other funds	-	-	174,558	174,558
Accrued liabilities	900,558	-	3,250	903,808
Unearned revenue:				
Property taxes	2,841,200	-	-	2,841,200
Loans receivable	-	-	25,684	25,684
Other	48,968	-	-	48,968
Total liabilities	4,040,392	156,654	204,941	4,401,987
Fund Balances				
Reserved for:				
Future development	-	198,619	-	198,619
Land held for resale	-	-	150,130	150,130
UTOPIA	-	608,337	-	608,337
Cemetery perpetual care - expendable	-	-	46,825	46,825
Unreserved, reported in:				
General fund	3,134,381	-	-	3,134,381
Special revenue funds	-	-	(61,959)	(61,959)
Capital projects funds	-	1,584,650	5,000	1,589,650
Total fund balances	3,134,381	2,391,606	139,996	5,665,983
Total liabilities and fund balances	7,174,773	2,548,260	344,937	10,067,970

The notes to the financial statements are an integral part of this statement.

MIDVALE CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds
To The Statement of Net Assets
June 30, 2007

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balances - Total Governmental Funds (page 16)	\$ 5,665,983
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$103,431,751 less the accumulated depreciation of \$24,460,821.	78,970,930
Other long-term assets are not available for current period expenditures and are therefore deferred in the funds balance sheet.	128,638
Interest on general obligation and lease revenue bonds is not accrued in governmental funds but rather is recognized as an expenditure when due.	(51,003)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,675,333)
Internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.	2,021,769
The Redevelopment Agency has deferred revenue for the loan receivables on the governmental funds balance sheet.	<u>25,684</u>
Net Assets - Governmental Activities (page 14)	<u><u>\$82,086,668</u></u>

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Governmental Fund Types			Total Governmental Funds
	General	Capital Projects	Other Governmental Funds	
Revenues				
Taxes	\$ 11,558,332	\$ -	\$ -	\$ 11,558,332
Licenses and permits	524,452	-	-	524,452
Intergovernmental	1,403,350	-	486,470	1,889,820
Charges for service	966,320	-	-	966,320
Fines and forfeitures	1,276,758	-	-	1,276,758
Lease revenue	-	-	42,285	42,285
Interest income	117,887	113,750	3,693	235,330
Miscellaneous	42,420	-	12,718	55,138
Total revenues	15,889,519	113,750	545,166	16,548,435
Expenditures				
General government	3,527,002	-	-	3,527,002
Public safety	8,833,002	-	-	8,833,002
Highways and public improvements	1,015,675	-	-	1,015,675
Parks, recreation, and public property	650,111	-	-	650,111
Redevelopment	-	-	111,249	111,249
Community and economic development	-	-	486,470	486,470
Capital outlay	-	1,437,139	-	1,437,139
Debt service:				
Principal	225,000	-	35,249	260,249
Interest	178,490	-	7,036	185,526
Cemetery	-	-	2,188	2,188
Total expenditures	14,429,280	1,437,139	642,192	16,508,611
Excess (deficiency) of revenues over (under) expenditures	1,460,239	(1,323,389)	(97,026)	39,824
Other financing sources (uses)				
Transfers in	-	817,543	5,000	822,543
Transfers out	(747,243)	-	-	(747,243)
Total other financing sources (uses)	(747,243)	817,543	5,000	75,300
Net change in fund balance	712,996	(505,846)	(92,026)	115,124
Fund balance at beginning of year, as originally stated	2,016,691	2,897,452	231,277	5,145,420
Prior period adjustment	404,694	-	745	405,439
Fund balance at beginning of year, as restated	2,421,385	2,897,452	232,022	5,550,859
Fund balance at end of year	\$ 3,134,381	\$ 2,391,606	\$ 139,996	\$ 5,665,983

The notes to the financial statements are an integral part of this statement.

MIDVALE CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 18)	\$115,124
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and capital contributions in the current period.	(871,437)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,614
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	213,616
Transfer of capital assets to proprietary fund	(130,000)
The net revenue of certain activities of the Internal Service Fund is reported with governmental activities	307,560
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	(<u>18,757</u>)
Change in net assets of governmental activities (page 15)	(<u>\$372,280</u>)

The notes to the financial statements are an integral part of this statement.

MIDVALE CITY CORPORATION
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 11,083,500	\$ 11,373,890	\$ 11,558,332	\$ 184,442
Licenses and permits	529,600	529,600	524,452	(5,148)
Intergovernmental	977,500	1,451,379	1,403,350	(48,029)
Charges for services	738,400	928,940	966,320	37,380
Fines and forfeitures	1,368,800	1,368,800	1,276,758	(92,042)
Interest income	75,000	107,500	117,887	10,387
Miscellaneous	35,500	65,709	42,420	(23,289)
Total revenues	<u>14,808,300</u>	<u>15,825,818</u>	<u>15,889,519</u>	<u>63,701</u>
Expenditures				
General government:				
City council	127,300	145,800	131,358	14,442
Peer court	5,000	37,500	30,560	6,940
Court	618,500	640,600	614,674	25,926
General administration	204,700	206,900	206,109	791
Information technology	222,700	222,700	198,356	24,344
Finance	498,200	503,600	491,955	11,645
Recorder	141,300	163,300	156,175	7,125
City attorney	121,900	111,900	86,963	24,937
Non-departmental	443,800	405,943	251,924	154,019
Community and intergovernmental services	114,400	204,400	186,975	17,425
Employee services	220,100	220,100	196,084	24,016
Senior citizens	21,500	21,500	20,231	1,269
Community and economic development	911,100	1,050,358	955,638	94,720
Public safety:				
Police	4,874,100	5,129,758	5,058,270	71,488
Fire	3,568,700	3,813,616	3,774,732	38,884
Highways and public improvements	1,083,700	1,036,700	1,015,675	21,025
Parks, recreation and public property	676,800	688,800	650,111	38,689
Debt service:				
Principal	225,000	225,000	225,000	-
Interest	178,500	178,500	178,490	10
Total expenditures	<u>14,257,300</u>	<u>15,006,975</u>	<u>14,429,280</u>	<u>577,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>551,000</u>	<u>818,843</u>	<u>1,460,239</u>	<u>641,396</u>
Other financing sources (uses)				
Transfer out	<u>(625,000)</u>	<u>(872,243)</u>	<u>(747,243)</u>	<u>125,000</u>
Total other financing sources (uses)	<u>(625,000)</u>	<u>(872,243)</u>	<u>(747,243)</u>	<u>125,000</u>
Net change in fund balance	<u>\$ (74,000)</u>	<u>\$ (53,400)</u>	<u>712,996</u>	<u>\$ 766,396</u>
Fund balance at beginning of year, as restated			<u>2,421,385</u>	
Fund balance at end of year			<u>\$ 3,134,381</u>	

The notes to the financial statements are an integral part of this statement.

MIDVALE CITY CORPORATION
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Total	
Assets						
Current assets						
Cash and cash equivalents	\$ 1,175,601	\$ 501,067	\$ 148,805	\$ -	\$ 1,825,473	\$ 2,090,111
Accounts receivable, net	254,261	91,871	153,883	185,105	685,120	-
Prepays	1,108	443	222	-	1,773	222
Total current assets	1,430,970	593,381	302,910	185,105	2,512,366	2,090,333
Noncurrent assets						
Restricted assets:						
Investment in South Valley Water Reclamation	2,294,463	-	-	-	2,294,463	-
Investment in Trans-Jordan Cities Landfill	-	-	1,014,176	-	1,014,176	-
Restricted cash (bond)	1,605,560	-	-	-	1,605,560	-
Unamortized bond issue costs	27,159	-	-	-	27,159	-
Capital assets:						
Land	4,728	-	-	-	4,728	-
Water stock	159,515	-	-	-	159,515	-
Construction in Progress	328,271	139,914	-	-	468,185	-
Buildings, net	121,393	-	-	-	121,393	-
Improvements, net	2,984,786	-	-	-	2,984,786	-
Automobiles, net	-	-	-	-	-	1,550,482
Machinery and equipment, net	44,595	-	-	-	44,595	510,971
Infrastructure, net	-	1,012,304	-	-	1,012,304	-
Total noncurrent assets	7,570,470	1,152,218	1,014,176	-	9,736,864	2,061,453
Total assets	\$ 9,001,440	\$ 1,745,599	\$ 1,317,086	\$ 185,105	\$ 12,249,230	\$ 4,151,786
Liabilities						
Current liabilities						
Due to other funds	\$ -	\$ -	\$ -	\$ 38,276	\$ 38,276	\$ -
Accounts payable	250,045	5,945	54,436	5,063	315,489	58,041
Salaries and benefits payable	16,775	7,488	3,147	-	27,410	4,846
Accrued liabilities	33,464	17,092	1,762	-	52,318	3,670
Accrued interest payable	18,844	-	-	-	18,844	1,090
Equipment lease payable	37,001	-	-	-	37,001	124,553
Total current liabilities	356,129	30,525	59,345	43,339	489,338	192,200
Noncurrent liabilities						
Customer deposits	6,450	-	-	-	6,450	-
Accrued liabilities	8,366	4,273	441	-	13,080	917
Equipment lease payable	230,013	-	-	-	230,013	-
Bonds payable	1,619,000	-	-	-	1,619,000	-
Total noncurrent liabilities	1,863,829	4,273	441	-	1,868,543	917
Total liabilities	2,219,958	34,798	59,786	43,339	2,357,881	193,117
Net assets						
Invested in capital assets, net of related debt	3,376,274	1,012,304	-	-	4,388,578	1,936,900
Restricted for:						
Equity investment in joint ventures	2,294,463	-	1,014,176	-	3,308,639	-
Unrestricted	1,110,745	698,497	243,124	141,766	2,194,132	2,021,769
Total net assets	6,781,482	1,710,801	1,257,300	141,766	9,891,349	3,958,669
Total liabilities and net assets	\$ 9,001,440	\$ 1,745,599	\$ 1,317,086	\$ 185,105	\$ 12,249,230	\$ 4,151,786

The notes to the financial statements are an integral part of this statement.

MIDVALE CITY CORPORATION
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Total	
Operating revenues						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,410,40
Water sales	1,132,769	-	-	-	1,132,769	-
Sewer charges	630,715	-	-	-	630,715	-
Storm water charges	-	546,137	-	-	546,137	-
Sanitation charges	-	-	753,971	-	753,971	-
Transport charges	-	-	-	540,682	540,682	-
Other	72,099	17,623	13,697	-	103,419	-
Total operating revenues	1,835,583	563,760	767,668	540,682	3,707,693	1,410,40
Operating expenses						
Salaries and wages	354,284	157,122	55,808	-	567,214	121,11
Employee benefits	118,801	71,314	22,776	-	212,893	56,62
Administration	267,341	82,515	62,519	410,867	823,242	144,96
Supplies	28,234	11,881	-	49,427	89,542	274,94
Repairs and maintenance	45,070	69,481	10,300	65,007	189,858	124,71
Waste disposal	-	7,844	601,620	-	609,464	-
Depreciation	150,632	47,669	-	-	198,501	536,73
Water treatment	265,129	-	-	-	265,129	-
Total operating expenses	1,229,491	448,026	753,025	525,301	2,955,843	1,259,10
Operating income	606,092	115,734	14,643	15,381	751,850	151,30
Nonoperating revenues (expenses)						
Interest income	68,315	23,941	10,210	(3,101)	99,365	97,52
Interest expense	(25,134)	-	-	-	(25,134)	(6,42
Equity investment gain/(loss)	(229,570)	-	110,816	-	(118,754)	-
Gain on disposal	-	-	-	-	-	65,15
Total nonoperating revenues (expenses)	(186,389)	23,941	121,026	(3,101)	(44,523)	156,26
Income before transfers	419,703	139,675	135,669	12,280	707,327	307,56
Transfers In	-	130,000	-	-	130,000	-
Transfers Out	(20,000)	(20,000)	(30,000)	(5,300)	(75,300)	-
Change in net assets	399,703	249,675	105,669	6,980	762,027	307,56
Total net assets - beginning	6,381,779	1,461,126	1,151,631	134,786	9,129,322	3,651,10
Total net assets - ending	\$ 6,781,482	\$ 1,710,801	\$ 1,257,300	\$ 141,766	\$ 9,891,349	\$ 3,958,66

The notes to the financial statements are an integral part of this statement.

MIDVALE CITY CORPORATION
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Total	
Cash flows from operating activities						
Receipts from customers	\$ 1,846,309	\$ 555,589	\$ 755,159	\$ 540,223	\$ 3,697,280	\$ -
Receipts from interfund services						1,410,405
Payments to suppliers	(453,152)	(126,847)	(651,518)	(184,115)	(1,415,632)	(513,713)
Payments to interfund services	(106,800)	(45,900)	(53,500)	(340,800)	(547,000)	-
Payments to employees	(480,712)	(224,095)	(80,254)	-	(785,061)	(178,312)
Net cash provided by operating activities	805,645	158,747	(30,113)	15,308	949,587	718,380
Cash flows from noncapital financing activities						
Transfers from other funds	-	130,000	-	-	130,000	-
Transfers to other funds	(20,000)	(20,000)	(30,000)	(5,300)	(75,300)	-
Interfund loans	-	-	-	(6,907)	(6,907)	-
Net cash provided by (used in) noncapital financing activities	(20,000)	110,000	(30,000)	(12,207)	47,793	-
Cash flows from capital and related financing activities						
Purchase of capital assets	(417,587)	(139,913)	-	-	(557,500)	(388,841)
Proceeds from sale of capital assets	-	-	-	-	-	65,157
Proceeds from issuance of debt	1,619,000	-	-	-	1,619,000	-
Principal paid on capital debt	(35,652)	-	-	-	(35,652)	(120,831)
Interest paid on capital debt	(11,019)	-	-	-	(11,019)	(5,334)
Bond issuance costs paid	(28,095)	-	-	-	(28,095)	-
Net cash provided by (used in) capital and related financing activities	1,126,647	(139,913)	-	-	986,734	(449,849)
Cash flows from investing activities						
Interest received	68,315	23,941	10,210	(3,101)	99,365	97,527
Investments in joint ventures	(153,491)	-	-	-	(153,491)	-
Net cash provided by investing activities	(85,176)	23,941	10,210	(3,101)	(54,126)	97,527
Net increase (decrease) in cash and cash equivalents	1,827,116	152,775	(49,903)	-	1,929,988	366,058
Cash and cash equivalents at beginning of year	954,045	348,292	198,708	-	1,501,045	1,724,053
Cash and cash equivalents at end of year	\$ 2,781,161	\$ 501,067	\$ 148,805	\$ -	\$ 3,431,033	\$ 2,090,111
Unrestricted cash	1,175,601	-	-	-	1,175,601	-
Restricted cash	1,605,560	501,067	148,805	-	2,255,432	2,090,111
	\$ 2,781,161	\$ 501,067	\$ 148,805	\$ -	\$ 3,431,033	\$ 2,090,111
Reconciliation of operating income to net cash provided by operating activities						
Operating income	\$ 606,092	\$ 115,734	\$ 14,643	\$ 15,381	\$ 751,850	\$ 151,300
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	150,632	47,869	-	-	198,501	536,730
Changes in assets and liabilities:						
Accounts receivable	11,701	(8,171)	(12,509)	(459)	(9,438)	-
Prepays	(1,108)	(443)	(222)	-	(1,773)	(222)
Accounts payable	46,930	(583)	(30,357)	386	16,376	31,144
Accrued liabilities	(7,627)	4,341	(1,668)	-	(4,954)	(572)
Customer deposits	(975)	-	-	-	(975)	-
Net cash provided by operating activities	\$ 805,645	\$ 158,747	\$ (30,113)	\$ 15,308	\$ 949,587	\$ 718,380

The notes to the financial statements are an integral part of this statement.

MIDVALE CITY CORPORATION
Notes to the Financial Statements
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The basic financial statements of Midvale City Corporation (the City) have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Midvale City Corporation was incorporated in 1909. The City operates under a Mayor/ Council form of government. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component units discussed below are included as part of the City's reporting entity as blended component units.

The Midvale City Redevelopment Agency (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

The Midvale City Municipal Building Authority (MBA) was established to finance and construct municipal buildings that are then leased to the City. The MBA is governed by a five-member board of trustees composed of the City Council. Although it is a legally separate entity from the City, the MBA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the MBA. The MBA is included in these financial statements as the Municipal Building Authority Special Revenue Fund. Separate financial statements are not issued for the MBA.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by enterprise funds or non-expendable trust funds).

The City reports the following major proprietary funds:

The Utility Fund accounts for the activities of the City's water distribution system and sewer operations.

The Storm Water Utility Fund accounts for the activities of the City's storm water operations.

The Sanitation Fund accounts for the activities of the City's sanitation collection operations.

Additionally, the City reports the following funds types:

Special Revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for general and special revenue funds are identical. The City accounts for the Midvale City Redevelopment Agency and the Municipal Building Authority in special revenue funds.

The Community Development Block Grant (CDBG) Fund accounts for the federal CDBG grant funds, which are to be used for general construction. This fund is accounted for as a capital projects fund.

The Cemetery Fund accounts for the provision of cemetery services at the City's cemetery. This fund is accounted for as a governmental fund.

The Internal Service Fund accounts for fleet management services provided to other departments or agencies of the government, on a cost reimbursement basis.

The Ambulance Fund (proprietary fund) accounts for the activities of the City's ambulance service operations.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash, Deposits and Investments Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The State Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less when purchased meet this definition.

Receivables and Payables Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds".

Ambulance fund accounts receivable are stated at billed charges less the estimated amount determined by the City's historical losses on insurance claims and the financial stability of its citizens.

Other receivables at June 30, 2007, consist of property tax, franchise tax, sales tax, grants and accounts (billings for user charged services, including unbilled utility services). Taxes and grants are deemed collectible in full. The allowance for doubtful proprietary account receivables at June 30, 2007 is \$275,622.

Receivables not expected to be collected within the subsequent year include loans in the Redevelopment Agency nonmajor special revenue fund.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets, Liabilities, and Net Assets or Equity (Continued)

Prepaid Items Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 to 50 years
Infrastructure	10 to 40 years
Machinery and equipment	5 to 30 years
Improvements other than buildings	20 to 30 years

Compensated Absences For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Employees may carry a maximum of 120 hours (156 hours for firefighters) of vacation leave forward to the next calendar year; the balance of unused vacation leave is forfeited. Unused vacation leave and comp time is paid to the employee upon termination. Employees may convert 25 percent of accrued sick leave in excess of 240 hours to vacation leave at the end of each calendar year, and upon effective date of retirement from the state retirement system.

In prior years, a liability for compensated absences was reported in the governmental fund statements. A prior period adjustment of \$405,439 was recorded to remove this liability and increase fund balance as of June 30, 2006.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets, Liabilities, and Net Assets or Equity (Continued)

Long-Term Obligations In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Assets Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$103,431,751
Accumulated depreciation	(24,460,821)
Total difference	<u>\$ 78,970,930</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2007 were:

General Obligation bonds	\$3,995,000
Lease Revenue bonds	77,253
Bond issuance premiums	73,843
Capital lease obligation	124,553
Interest payable on long-term debt	51,003
Compensated absences	<u>404,684</u>
Total difference	<u>\$4,726,336</u>

Explanation of Certain Differences Between Governmental Fund Operating Statements and the Statement of Net Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follow:

Capital outlay and contributions	\$ 942,759
Depreciation expense	<u>1,814,196</u>
Net difference as reported	<u>(\$ 871,437)</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to May 1, the City Recorder submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

After the budget is adopted, the City Administrator may transfer any unencumbered or unexpended appropriation amount from one expenditure account to another within a department. The City Council may, by resolution, transfer any unencumbered or unexpended appropriation amount from one department in a fund to another department within the same fund.

When the City Council determines that an emergency exists, such as widespread damage from fire, flood, or earthquake the City Council may increase the budget of the General Fund by resolution or a public hearing.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. In the General Fund, budgets are adopted at the functional level and budgetary control is exercised at the departmental level. For Special Revenue Funds, budgets are adopted and control is exercised at the level of total expenditures for each individual fund. For Capital Projects Funds, budgets are adopted and control is exercised at the project level.

Annual budgets for the General Fund, all Special Revenue Funds, and all Capital Projects Funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Encumbrances (commitments related to unperformed purchase orders or contracts for goods or services) are used only as an internal management control device during the year. The City does not have any encumbrances outstanding at year end since appropriations lapse at year end. However, encumbered amounts are generally reappropriated and honored as part of the following year's budget.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus such budgets for governmental funds.

Tax Revenues

Property taxes are collected by the Salt Lake County Treasurer and remitted to the City in five to six installments in November, December, and January of each fiscal year and a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material. An accrual for current year property taxes estimated to be collected the following November and December is made each year.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has been made for fees due and payable to the City at June 30th.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS

Cash and Investments

Deposits and investments for the City are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of June 30, 2007, \$334,525 of the City's bank balance of \$434,525 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The City is authorized to invest in the Utah Public Treasurer's Investment fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances.

As of June 30, 2007, the City had investments of \$8,758,899 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated. The City also held investment in U.S. Government securities of \$1,605,559.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

The deposits and investments described above are included on the government-wide statement of net assets as follows:

Cash and cash equivalents	\$ 8,217,591
Restricted cash and cash equivalents	<u>2,213,897</u>
	<u>\$10,431,488</u>

Receivables

Receivables as of year end for the City's individual major funds and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Utility</u>	<u>Storm Water</u>	<u>Sanitation</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$4,310,134	\$ ---	\$ ---	\$ ---	\$ ---	\$4,310,134
Accounts and other	19,085	254,261	101,871	163,883	440,727	979,827
Intergovernmental	<u>374,708</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>40,608</u>	<u>415,316</u>
Gross receivables	4,703,927	254,261	101,871	163,883	481,335	5,705,277
Less: allowance for uncollectibles	<u>---</u>	<u>---</u>	(10,000)	(10,000)	(255,622)	(275,622)
Net total receivables	<u>\$4,703,927</u>	<u>\$254,261</u>	<u>\$ 91,871</u>	<u>\$153,883</u>	<u>\$225,713</u>	<u>\$5,429,655</u>

Land Held For Resale

Land acquired by the Redevelopment Agency (a special revenue fund) and held for resale is accounted for as land held for resale. The cost of land held for resale is capitalized until the land is sold. Land transferred from infrastructure assets of the City is recorded at a nominal amount for accountability purposes. If the Redevelopment Agency sells land at an amount greater than or less than the carrying amount, the resulting gain/loss is accounted for as an other financing source/use. Gains and losses on sale of land held for resale are recognized when measurable and available.

Loans Receivable

The City has made low cost building rehabilitation loans to businesses in downtown Midvale City. At June 30, 2007, the outstanding balance of the loans is \$25,684. The loans have been accounted for in the Redevelopment Agency (a special revenue fund). The terms of the loans are for ten years with interest rates ranging from 3% to 8%. All loans have scheduled payment amounts ranging from \$300 to \$604 per month, including interest. When possible, the loans are secured by the property being rehabilitated.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the government funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Notes receivable (RDA Fund)	\$ 25,684	\$ ---
Property taxes receivable (General Fund)	2,841,200	---
Various prepayments received (General Fund)	<u>---</u>	<u>48,968</u>
Total deferred/unearned revenue for governmental funds	<u><u>\$2,866,884</u></u>	<u><u>\$48,968</u></u>

Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not be depreciated				
Land	\$51,553,728	\$ ---	\$ ---	\$51,553,728
Construction in progress	<u>130,000</u>	<u>---</u>	<u>130,000</u>	<u>---</u>
Total capital assets not being depreciated	<u>51,683,728</u>	<u>---</u>	<u>130,000</u>	<u>51,553,728</u>
Capital assets being depreciated				
Buildings	9,608,540	57,393	---	9,665,933
Improvements other than buildings	494,708	---	---	494,708
Infrastructure	33,530,097	630,861	35,543	34,125,415
Machinery and equipment	<u>7,288,520</u>	<u>643,342</u>	<u>339,895</u>	<u>7,591,967</u>
Total capital assets being depreciated	<u>50,921,865</u>	<u>1,331,596</u>	<u>375,438</u>	<u>51,878,023</u>

Continued

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Less: accumulated depreciation				
Buildings	\$ 1,946,445	\$ 192,491	\$ ---	\$2,138,936
Improvements other than buildings	176,569	16,573	---	193,142
Infrastructure	16,373,665	1,376,120	35,543	17,714,242
Machinery and equipment	<u>3,988,659</u>	<u>765,737</u>	<u>339,895</u>	<u>4,414,501</u>
Total accumulated depreciation	<u>22,485,338</u>	<u>2,350,921</u>	<u>375,438</u>	<u>24,460,821</u>
Total capital assets being depreciated, net	<u>28,436,527</u>	<u>(1,019,325)</u>	<u>---</u>	<u>27,417,202</u>
Net governmental capital assets	<u>\$80,120,255</u>	<u>(\$1,019,325)</u>	<u>\$130,000</u>	<u>\$78,970,930</u>
Business-type activities:				
Capital assets not being depreciated				
Water stock and rights	\$ 159,515	\$ ---	\$ ---	\$ 159,515
Land	4,728	---	---	4,728
Construction in progress	<u>---</u>	<u>468,185</u>	<u>---</u>	<u>468,185</u>
Total capital assets not being depreciated	<u>164,243</u>	<u>468,185</u>	<u>---</u>	<u>632,428</u>
Capital assets being depreciated				
Improvements other than buildings	6,143,749	89,316	---	6,233,065
Infrastructure	1,746,050	---	---	1,746,050
Buildings	160,637	---	---	160,637
Machinery and equipment	<u>131,709</u>	<u>---</u>	<u>---</u>	<u>131,709</u>
Total capital assets being depreciated	<u>8,182,145</u>	<u>89,316</u>	<u>---</u>	<u>8,271,461</u>
Less: accumulated depreciation				
Improvements other than buildings	3,112,240	136,039	---	3,248,279
Infrastructure	685,877	47,869	---	733,746
Buildings	35,067	4,178	---	39,245
Machinery and equipment	<u>77,633</u>	<u>9,480</u>	<u>---</u>	<u>87,113</u>
Total accumulated depreciation	<u>3,910,817</u>	<u>197,566</u>	<u>---</u>	<u>4,108,383</u>
Total capital assets being depreciated, net	<u>4,271,328</u>	<u>(108,250)</u>	<u>---</u>	<u>4,163,078</u>
Business-type activities net capital assets	<u>\$ 4,435,571</u>	<u>\$359,935</u>	<u>\$ ---</u>	<u>\$4,795,506</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

In the government-wide financial statements depreciation was charged as follows by program or activity:

Governmental activities:	
General government	\$ 148,814
Public safety	602,457
Highways and public improvements	1,526,531
Parks, recreation and public property	<u>73,119</u>
Total depreciation expense - governmental activities	<u>\$2,350,921</u>
Business-type activities:	
Utility	\$ 149,697
Storm water	<u>47,869</u>
Total depreciation expense - business type activities	<u>\$ 197,566</u>

Investments In And Advances To Joint Ventures

South Valley Water Reclamation Facility The Utility fund has a 6.78% ownership in the South Valley Water Reclamation Facility (SVWRF) which is accounted for by the equity method. SVWRF, a separate legal entity and political subdivision of the State of Utah, was formed pursuant to the provisions of the Interlocal Cooperation Act. SVWRF's membership is comprised of two municipalities and three suburban sanitary improvement districts. In addition to the City, the members consist of West Jordan City, South Valley Sewer District, Sandy Suburban Improvement District and Midvalley Improvement District which have ownership interests of 28.22%, 34.72%, 20.17% and 10.11%, respectively. SVWRF was formed to construct, operate and maintain a regional sewage treatment facility.

SVWRF is governed by its board of directors. Under the organization agreement, each of the five members is entitled to appoint one of SVWRF's five directors. The management is under the Board of Directors, which elects officers and appoints the management staff. During the year ended June 30, 2007, the City contributed capital of \$153,491 to the facility and recorded a \$229,570 loss on joint venture.

The complete financial statements for South Valley Water Reclamation Facility for the year ended December 31, 2006 can be obtained from the South Valley Water Reclamation Facility at 7495 South 1300 West, West Jordan, UT 84084.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Trans-Jordan Cities Landfill The Utility fund has a 5.83% ownership in the Trans-Jordan Cities Landfill which is accounted for by the equity method. In addition to Midvale City, the Trans-Jordan Cities Landfill is owned by the cities of Murray, Sandy, South Jordan, West Jordan, Draper, and Riverton which own 9.22%, 32.92%, 10.56%, 25.74%, 7.62% and 8.12% of the landfill, respectively. Trans-Jordan Cities Landfill is a separate legal entity and political subdivision of the State of Utah and was formed pursuant to the provisions of the Interlocal Cooperation Act. The City has no firm commitment to make additional equity investments in the Trans-Jordan Cities Landfill.

Trans-Jordan Cities Landfill was formed to construct, operate and maintain a refuse dumping facility. Trans-Jordan is governed by its Board of Directors. Under the organization agreement, the board of directors is appointed by the members. The management is under the board of directors, which elects officers and appoints the management staff. During the year ended June 30, 2007, the City contributed capital of \$0-, recorded a \$110,816 equity in income of joint venture, and increased its participating interest by the same amount, resulting in a net increase in its investment of the facility to \$110,816.

The complete financial statements for Trans-Jordan Cities Landfill for the year ended June 30, 2007 can be obtained from the Trans-Jordan Landfill offices, 10873 South 7200 West, South Jordan, UT 84095.

InterLocal Agreements

Valley Emergency Communications Center The City is a member of Valley Emergency Communications Center (the Center). The Center was organized June 30, 1988, as a joint enterprise between the City, Murray City, Salt Lake County, Sandy City, South Jordan City, West Jordan City and West Valley City. The primary purpose of the Center is to fund and operate a communications center which handles communications and other services for the members, including police, fire, 911 service, dispatch and records services.

The Center is governed by a Board of Trustees consisting of one representative from each member appointed by the governing body thereof. The Center's activities are funded by a surcharge tax on telephones within each member's city and member assessments. The Board of Trustees sets assessments for all member agencies in amounts sufficient to provide the funds required by the annual budget. The Center determines the 911 assessments for the telephone users within the member's jurisdictions.

Separate audited financial statements for Valley Emergency Communications Center may be obtained from the Finance Director at 5360 South 5885 West, West Valley City, UT 84118.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

InterLocal Agreements (Continued)

Utah Telecommunications Open Infrastructure Network The City is one of 11 founding members of the Utah Telecommunications Open Infrastructure Network (UTOPIA), an interlocal cooperative agreement organized under the laws of the State of Utah. UTOPIA was created to design, finance, build, operate and maintain an open, wholesale, public and Telecommunication infrastructure that delivers high-speed connections to every home and business in the member communities. UTOPIA is jointly owned by the members. No equity investment has been recorded by the City since, as of June 30, 2007, UTOPIA had a net assets deficit of \$18,494,982. UTOPIA was providing limited services during the year, but it is still in a start-up phase.

The City is a pledging member who has pledged sales and use tax revenues to partially guarantee payment of UTOPIA's bonds. In return for the pledge, the City will be among the first cities to receive UTOPIA's services. In July 2004 UTOPIA issued an \$85,000,000 revenue bond. The first four years of bond payments will be made from a debt reserve fund. From that point on, until the bonds are due in July 2026, net revenues from UTOPIA will reimburse the debt service for payments on the bond debt. To the extent that there are insufficient net revenues to pay the debt service, the 11 pledged members are required to reimburse the UTOPIA debt service fund of any shortfall by their respective percentages up to a specific dollar amount. The City's percentage of the Debt Service Reserve shortfall is 6.03% with a yearly liability limited set at a maximum of \$608,337. Any bonds or debt issued or incurred by UTOPIA will not constitute debt of the City.

On July 1, 2007, the City was required to deposit \$608,337 into the UTOPIA Series 2004 Bond Debt Service Reserve Fund. These funds will remain on deposit until the sooner of the bonds being retired or 20 years from July 1, 2007. The City will be required to deposit additional funds if additional bonds are issued. To the extent that the initial projects operate profitably, UTOPIA has plans on issuing a total of \$340,000,000 in bonds.

Interfund Receivable, Payables and Transfers

At June 30, 2007, interfund balances due to or from other funds was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$181,892
	Nonmajor proprietary fund	<u>38,276</u>
		<u>\$220,168</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

In addition to the above amounts which will be repaid by the respective funds, transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2007 were as follows:

<u>Fund Transferring Out</u>	<u>Fund Receiving Transfer</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 5,000
	Major capital projects fund	742,243
Non-major proprietary	Major capital projects fund	5,300
Utility	Major capital projects fund	20,000
Storm Water	Major capital projects fund	20,000
Sanitation	Major capital projects fund	30,000
		<u>\$822,543</u>

In the fund statements, there is a difference in interfund transfers of \$130,000. This difference related to a transfer of construction in progress from governmental fund capital assets to the Storm Water proprietary fund.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and are pledged by the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Bond Description</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Amount</u>
Public Safety Series 1999	\$5,000,000	\$215,000 to \$240,000	4.65 to 5.0%	9/15/09	\$ 680,000
Public Safety Series 2005	<u>3,370,000</u>	\$20,000 to \$395,000	3.0 to 5.0%	9/15/19	<u>3,315,000</u>
	<u>\$8,370,000</u>				<u>\$3,995,000</u>

General obligation bond debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 235,000	\$ 167,810	\$ 402,810
2009	245,000	156,438	401,438
2010	260,000	144,225	404,225
2011	270,000	133,421	403,421
2012	280,000	124,205	404,205
2013-2017	1,575,000	439,638	2,014,638
2018-2020	<u>1,130,000</u>	<u>78,600</u>	<u>1,208,600</u>
	<u>\$3,995,000</u>	<u>\$1,244,337</u>	<u>\$5,239,337</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds

The City has issued bonds where the revenues and assets of the issuing fund are pledged as security for the bonds.

Revenue bonds outstanding at June 30, 2007 by issue are as follows:

<u>Bond Description</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Amount</u>
MBA Series 2001	\$260,000	\$26,035 to \$39,796	6.25%	5/15/09	\$ 77,251
Sewer Series 2007	\$1,619,000	\$66,000 to \$131,000	4.35%	4/1/27	1,619,000
					<u>\$1,696,251</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 37,455	\$ 72,320	\$ 109,775
2009	39,796	72,914	112,710
2010	---	70,427	70,427
2011	66,000	70,427	136,427
2012	69,000	67,556	136,556
2013-2017	394,000	290,015	684,015
2018-2022	487,000	196,576	683,576
2023-2027	603,000	80,909	683,909
Total	<u>\$1,696,251</u>	<u>\$921,144</u>	<u>\$2,617,395</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows: (in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental activities:					
Bonds payable:					
MBA lease revenue	\$ 112,502	\$ ---	\$ 35,251	\$ 77,251	\$ 37,456
General obligation	4,220,000	---	225,000	3,995,000	235,000
Add: unamortized premium	79,996	---	6,153	73,843	---
Total bonds payable	4,412,498	---	266,404	4,146,094	272,456
Capital leases	245,385	---	120,832	124,553	124,553
Compensated absences	409,805	202,300	206,502	405,603	323,747
Governmental activity long-term liabilities	<u>\$5,067,688</u>	<u>\$ 202,300</u>	<u>\$593,738</u>	<u>\$4,676,250</u>	<u>\$720,756</u>
Business-type activities:					
Bonds payable	\$ ---	\$1,619,000	\$ ---	\$1,619,000	\$ ---
Capital lease	302,666	---	35,652	267,014	37,001
Compensated absences	82,730	44,000	61,332	65,398	52,318
Total business-type long-term liabilities	<u>\$ 385,396</u>	<u>\$1,663,000</u>	<u>\$ 96,984</u>	<u>\$1,951,412</u>	<u>\$ 89,319</u>

Compensated absences for governmental activities are generally liquidated by the general fund.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2007:

<u>Year Ending</u> <u>June 30</u>	<u>Police Vehicle Lease</u> <u>Total</u>
2008	<u>\$75,388</u>
Total minimum lease payments	75,388
Less: amount representing interest	(2,161)
Present value of net minimum lease payments	<u>\$73,227</u>

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u> <u>Storm Drain Cleaning Unit</u> <u>Lease Total</u>
2008	<u>\$53,004</u>
Total minimum lease payments	53,004
Less: amount representing interest	(1,678)
Present value of net minimum lease payments	<u>\$51,326</u>

<u>Year Ending</u> <u>June 30</u>	<u>Business-Type Activities</u> <u>Fluoridation Equipment Lease</u> <u>Total</u>
2008	\$ 46,671
2009	46,671
2010	46,671
2011	46,671
2012	46,671
2013-2014	<u>70,005</u>
Total minimum lease payments	303,360
Less: amount representing interest	(36,346)
Present value of net minimum lease payments	<u>\$267,014</u>

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information

Risk Management The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Government Insurance Trust (Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2007 there were no outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2007 which exceeded its insurance coverage.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Redevelopment Agency In connection with the activities of the Redevelopment Agency (RDA), incremental tax revenues totaling \$-0- were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies.

During the year ended June 30, 2007, funds expended by the RDA were limited to the categories of capital outlay and administration costs. Administrative costs totaled \$96,249, and capital outlay expenditures totaled \$15,000.

Employee Retirement Systems and Pension Plans The City contributes to the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, the Public Safety Retirement System for Employers with Social Security Coverage and the Firefighters Retirement System (hereafter referred to cumulatively as the Systems) which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

MIDVALE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2007

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Funding Policy Plan members in the Local Government Contributory Retirement System are required to contribute 6.0% percent of their annual covered salary (all or part may be paid by the employer for the employee), and the City is required to contribute 7.58% percent of its annual covered salary. In the Local Government Noncontributory Retirement System the City is required to contribute 11.59% percent of its annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage, the City is required to contribute 22.38% percent of its annual covered salary for members in the noncontributory division and 23.39% for members in the contributory division. The City also contributes 10.84% of covered salary to the Firefighters Retirement System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions in dollars to each of the Systems for the years ending June 30, 2007, 2006 and 2005, were equal to the required contributions for each year. The contribution amounts are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Local Governmental Contributory Retirement System	\$ 5,387	\$ 4,922	\$ 4,756
Local Governmental Noncontributory Retirement System	323,499	283,661	264,128
Public Safety Retirements System for Employers with Social Security Coverage	379,614	319,045	298,576
Firefighters Retirement System	158,068	125,155	116,794

Deferred Compensation Plan Under the URS, the City offers its employees a Deferred Compensation Plan (the Plan) in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The payment of deferred compensation is not available to employees until termination, retirement, death, or emergency. The City's contributions to the 457 Deferred Compensation Plan were \$181,024, \$164,678 and \$154,137 for the years ended June 30, 2007, 2006 and 2005, respectively.

401 Retirement Plan

The City also contributes to the International City Management Association (ICMA) Section 401 Qualified Retirement Plan, on behalf of each employee, the difference between the prescribed amount to the state defined benefit contribution rate and the total contribution benefit of 15.55% of earnings. The City's contributions to the ICMA 401 plan were \$246,100, \$228,805 and \$220,649 for the years ended June 30, 2007, 2006 and 2005, respectively.

SUPPLEMENTAL INFORMATION

MIDVALE CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue		Capital Projects		Permanent	Total
	Redevelopment Agency	Municipal Building Authority	CDBG	Cemetery		Nonmajor Governmental Funds
\$	81,469	\$ -	\$ -	\$ 46,825	\$	128,294
			40,608	-		40,608
	25,905	-	-	-		25,905
	150,130	-	-	-		150,130
\$	257,504	\$ -	\$ 40,608	\$ 46,825	\$	344,937

Assets

Cash and investments
 Receivables:
 Intergovernmental
 Loans receivable
 Land held for resale
Total assets

Liabilities and Fund Balance

Liabilities

Accounts payable
 Accrued liabilities
 Due to other funds
 Unearned revenue:
 Loans receivable
Total liabilities

Fund Balances

Reserved for:
 Land held for resale
 Cemetery perpetual care - expendable
 Unreserved:
 Special revenue funds
 Capital project funds
Total fund balance

Total liabilities and fund balances

\$	399	\$ -	\$ -	1,050	\$ -	\$ -	1,449
	3,250	-	-	-	-	-	3,250
	140,000	-	-	34,558	-	-	174,558
	25,684	-	-	-	-	-	25,684
	169,333	-	-	35,608	-	-	204,941
	150,130	-	-	-	46,825	-	150,130
	-	-	-	-	-	-	46,825
	(61,959)	-	-	-	-	-	(61,959)
	-	-	-	5,000	-	-	5,000
	88,171	-	-	5,000	46,825	-	139,996
\$	257,504	\$ -	\$ -	40,608	\$ 46,825	\$ -	344,937

MIDVALE CITY CORPORATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue		Capital Projects		Permanent	Total
	Redevelopment Agency	Municipal Building Authority	CDBG	Cemetery		Nonmajor Governmental Funds
Revenues						
Leases	\$ -	\$ 42,285	\$ -	\$ -	\$ -	42,285
Intergovernmental	-	-	486,470	-	-	486,470
Gain on sale of investment property	2,080	-	-	-	-	2,080
Interest income	1,150	-	-	2,543	-	3,693
Miscellaneous	10,638	-	-	-	-	10,638
Total revenues	13,868	42,285	486,470	2,543		545,166
Expenditures						
Redevelopment	111,249	-	-	-	-	111,249
Community and economic development	-	-	486,470	-	-	486,470
Debt service:						
Principal	-	35,249	-	-	-	35,249
Interest	-	7,036	-	-	-	7,036
Cemetery improvements	-	-	-	2,188	-	2,188
Total expenditures	111,249	42,285	486,470	2,188		642,192
Excess (deficiency) of revenues over (under) expenditures	(97,381)	-	-	355		(97,026)
Other financing sources						
Transfers in	-	-	5,000	-	-	5,000
Total other financing sources	-	-	5,000	-		5,000
Net change in fund balance	(97,381)	-	5,000	355		(92,026)
Fund balance at beginning of year, as originally stated	184,807	-	-	46,470		231,277
Prior period adjustment	745	-	-	-	-	745
Fund balance at beginning of year, as restated	185,552	-	-	46,470		232,022
Fund balance at end of year	\$ 88,171	\$ -	\$ 5,000	\$ 46,825		\$ 139,996

MIDVALE CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Capital Project Fund (major fund)
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	<u>\$ 44,000</u>	<u>\$ 85,000</u>	<u>\$ 113,750</u>	<u>\$ 28,750</u>
Total revenues	<u>44,000</u>	<u>85,000</u>	<u>113,750</u>	<u>28,750</u>
Expenditures				
Capital outlay	<u>2,162,500</u>	<u>3,783,035</u>	<u>1,437,139</u>	<u>2,345,896</u>
Total expenditures	<u>2,162,500</u>	<u>3,783,035</u>	<u>1,437,139</u>	<u>2,345,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,118,500)</u>	<u>(3,698,035)</u>	<u>(1,323,389)</u>	<u>2,374,646</u>
Other financing sources				
Transfer in	<u>695,300</u>	<u>817,543</u>	<u>817,543</u>	<u>-</u>
Total other financing sources	<u>695,300</u>	<u>817,543</u>	<u>817,543</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,423,200)</u>	<u>\$ (2,880,492)</u>	<u>(505,846)</u>	<u>\$ 2,374,646</u>
Fund balance at beginning of year			<u>2,897,452</u>	
Fund balance at end of year			<u>\$ 2,391,606</u>	

MIDVALE CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Redevelopment Agency
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 2,500	\$ 2,500	\$ 1,150	\$ (1,350)
Gain on sale of investment property	30,000	30,000	2,080	(27,920)
Miscellaneous	9,000	9,000	10,638	1,638
Total revenues	<u>41,500</u>	<u>41,500</u>	<u>13,868</u>	<u>(27,632)</u>
Expenditures				
Redevelopment	<u>142,500</u>	<u>145,500</u>	<u>111,249</u>	<u>34,251</u>
Total expenditures	<u>142,500</u>	<u>145,500</u>	<u>111,249</u>	<u>34,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,000)</u>	<u>(104,000)</u>	<u>(97,381)</u>	<u>6,619</u>
Other financing sources (uses)				
Transfer out	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
Net change in fund balance	<u>\$ (116,000)</u>	<u>\$ (119,000)</u>	<u>(97,381)</u>	<u>\$ 21,619</u>
Fund balance at beginning of year as originally stated			184,807	
Prior period adjustment			<u>745</u>	
Fund balance at beginning of year as restated			<u>185,552</u>	
Fund balance at end of year			<u>\$ 88,171</u>	

MIDVALE CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Municipal Building Authority
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Leases	\$ 42,300	\$ 42,300	\$ 42,285	\$ (15)
Total revenues	<u>42,300</u>	<u>42,300</u>	<u>42,285</u>	<u>(15)</u>
Expenditures				
Debt service:				
Principal	35,300	35,300	35,249	51
Interest	<u>7,000</u>	<u>7,000</u>	<u>7,036</u>	<u>(36)</u>
Total expenditures	<u>42,300</u>	<u>42,300</u>	<u>42,285</u>	<u>15</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ -</u>	

MIDVALE CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - CDBG - Nonmajor Capital Projects Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 415,700	\$ 629,806	486,470	(143,336)
Total revenues	<u>415,700</u>	<u>629,806</u>	<u>486,470</u>	<u>(143,336)</u>
Expenditures				
Community development block grant	415,700	634,806	486,470	148,336
Total expenditures	<u>415,700</u>	<u>634,806</u>	<u>486,470</u>	<u>148,336</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>
Other financing sources				
Transfer in	-	5,000	5,000	-
Total other financing sources	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,000</u>	<u>\$ 5,000</u>
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ 5,000</u>	

MIDVALE CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Cemetery Perpetual Care
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest income	\$ -	\$ -	\$ 2,543	\$ 2,543
Total revenues	-	-	2,543	2,543
Expenditures				
Cemetery improvements	-	2,200	2,188	12
Total expenditures	-	2,200	2,188	12
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,200)</u>	355	<u>\$ 2,555</u>
Fund balance at beginning of year			46,470	
Fund balance at end of year			<u>\$ 46,825</u>	

COMPLIANCE REPORTS

Hansen, Bradshaw, Malmrose & Erickson

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the City Council and Mayor
Midvale City Corporation, Utah

We have audited the financial statements of Midvale City Corporation, Utah (the City), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the City Council and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

November 9, 2007

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Members of the City Council and Mayor
Midvale City Corporation, Utah

Compliance

We have audited the compliance of Midvale City Corporation, Utah (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation, Utah as of and for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Midvale City Corporation, Utah's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the City Council and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

November 9, 2007

MIDVALE CITY CORPORATION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements Expenditures</u>
U.S. Department of Justice			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	2002-BU-BX-9203	\$ 6,274
Pass Through State:			
Victims of Violent Crime	16.575	VOCA 24	72,005
JAG Grant	16.738	2006-DJ-BX-0166	15,163
Youth Peer Court Convention	16.727	022621	<u>13,961</u>
Total U.S Department of Justice			<u>107,403</u>
Environmental Protection Agency			
Direct Program:			
Superfund State Site Specific Cooperation	66.802	V998436-01-0	<u>93,920</u>
Total Environmental Protection Agency			<u>93,920</u>
U.S. Department of Transportation			
Pass Through State:			
Alcohol Traffic Safety & Drunk Driving Prevention	20.601	N/A	12,437
Safety Incentive Grants for Use of Seat Belts	20.600	N/A	<u>1,975</u>
Total U.S. Department of Transportation			<u>14,412</u>
U.S. Department of Health and Human Services			
Pass Through State:			
Abstinence Education	93.235	ACYF-FYSB-AE-01-05	<u>42,841</u>
Total U.S. Department of Health and Human Services			<u>42,841</u>

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

MIDVALE CITY CORPORATION
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements Expenditures</u>
U.S. Department of Housing and Urban Development			
Pass Through Salt Lake County: Community Development Block Grant	14.218	BV2853C	<u>486,470</u>
Total U.S. Department of Housing and Urban Development			<u>486,470</u>
U.S. Department of Homeland Security			
Direct Program: FEMA - Emergency Management Performance	97.042	N/A	7,750
Pass Through State: State Domestic Preparedness Equipment Support Program	97.067	Homeland Security	<u>58,658</u>
Total U.S. Department of Homeland Security			<u>66,408</u>
U.S. Department of Agriculture			
Pass Through State: Fire Department Assistance	10.664	N/A	<u>9,500</u>
Total U.S. Department of Agriculture			<u>9,500</u>
			<u><u>\$820,954</u></u>

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

MIDVALE CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

1. PURPOSE OF THIS SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the City's basic financial statements and is presented for additional analysis. The Schedule is required by the office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Midvale City Corporation, Utah. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance - Pursuant to the Single Audit Act of 1984; the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of Federal Domestic Assistance - OMB Circular A-133 requires the Schedule to show the total expenditures for each of the City's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide summary of individual federal programs. Each program included in the CFDA is assigned a five digit program identification number (CFDA number) which is reflected in the Schedule. Federal financial assistance programs and contracts which have not been assigned a CFDA number have been identified as None in the CFDA Column of the schedule.

Type A and Type B Programs - The Single Audit Act of 1984 (as amended in 1996) and OMB Circular A-133 establish the levels to be used in defining Type A and Type B federal programs. Type A programs for Midvale City Corporation, Utah are those programs that exceeded \$300,000 in the federal awards expended for the fiscal year ended June 30, 2007. All other programs are classified as Type B by the City.

Reporting Entity

The City reporting entity is fully described in Footnote 1. of the City's basic financial statements. The Schedule includes all federal financial assistance programs administered by the City for the year ended June 30, 2007.

MIDVALE CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Federal financial assistance programs included in the Schedule are reported using the modified accrual basis of accounting.

MIDVALE CITY CORPORATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Midvale City Corporation, Utah.
2. No instance of noncompliance material to the financial statements of Midvale City, Corporation, Utah were disclosed during the audit.
3. The auditors' report on compliance for the major federal award programs for Midvale City Corporation, Utah expresses an unqualified opinion.
4. No Questioned Costs were discovered during the audit.
5. The programs tested as major programs were:

U.S. Department of Housing and Urban Development, Community
Development Block Grant (Pass-through Salt Lake County)
CFDA No. 14.218
6. The threshold for distinguishing Type A and B programs was \$300,000.
7. Midvale City Corporation, Utah was determined to be a low-risk auditee.

Hansen, Bradshaw, Malmrose & Erickson

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STATE LEGAL COMPLIANCE REPORT

Honorable Mayor and Members of City Council
Midvale City Corporation
Midvale, Utah

We have audited the basic financial statements of Midvale City for the year ended June 30, 2007 and have issued our report thereon dated November 9, 2007. As part of our audit, we have audited compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2007. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation & Property Tax Limitations
- Liquor Law Enforcement
- Justice Courts Compliance

The management of Midvale City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Midvale City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2007.

Hansen, Bradshaw, Malmrose & Erickson, P.C

November 9, 2007

